

## Message Text

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TO AMCONSUL JERUSALEM IMMEDIATE

S E C R E T STATE 101863

TOSEC 688 EXDIS

FOLLOWING KINGSTON 1707 SENT STATE MAY 15 REPEATED TO YOU QUOTE

S E C R E T KINGSTON 1707

EXDIS

EO 11652: GDS

TAGS: EMIN, PINT, US, JA

SUBJECT: BAUXITE NEGOTIATIONS SITREP#49: PRIME

MINISTER MANLEY REPORTS TO PARLIAMENT AND THE PEOPLE

1. PM MANLEY REPORTED ON THE BAUXITE NEGOTIATIONS TO PARLIAMENT AND THE PEOPLE THIS AFTERNOON. BEGINNING SOON AFTER 4:30 PM HE SPOKE FOR NEARLY AN HOUR OUTLINING THE REQUIREMENTS WHICH COMPELLED JAMAICA TO SEEK A NEW ARRANGEMENT WITH THE COMPANIES, INDICATING THE LOGIC AND THE FIGURES THE GOVERNMENT HAD USED IN ARRIVING AT ITS CONCLUSIONS AND NEGOTIATING POSITION, DESCRIBING THE THRUST OF THE GOVERNMENT'S POSITION NOT ONLY IN RESPECT TO REVENUES BUT OTHER ISSUES AS WELL, RELATING THE HISTORY OF THE NEGOTIATIONS TO DATE AS SEEN FROM THE GOJ VIEWPOINT, AND SPECIFYING THE FORMULA BY WHICH THE GOJ INTENDS TO DERIVE ITS REVENUES IN THE FUTURE AS WELL AS INDICATING THE AMOUNTS THAT CAN BE EXPECTED FROM THIS SOURCE IN THE COURSE OF THE 1974-75 FISCAL YEAR.

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2. THROUGHOUT HIS ADDRESS PM'S TONE WAS MEASURED, MODERATE, AND CIVILIZED. HE STRESSED THAT THE STEPS NOW TO BE TAKEN WERE SOLELY THE RESULT OF FAILURE TO ACHIEVE A NEGOTIATED SOLUTION WITHIN THE TIME AVAILABLE. ALTHOUGH HE SAID SEVERAL TIMES THE COMPANIES HAD NOT BEEN ABLE TO MAKE OR ADEQUATELY SUPPORT THEIR CASE, AT NO TIME DID HE SUGGEST THAT THEY HAD NEGOTIATED IN BAD FAITH. HE REPEATEDLY SAID THAT HIS DECISIONS HAD BEEN TAKEN WITHOUT ANGER OR BITTERNESS TOWARDS ANYONE. WITH RESPECT TO FOREIGN POLICY, PM EMPHASIZED THAT HE HAD GONE OUT OF HIS WAY TO KEEP THE GOVERNMENTS OF THE UNITED STATES AND CANADA FULLY APPRAISED OF HIS INTENTIONS AND OF THE PROGRESS OF THE NEGOTIATIONS, AND HAD HIMSELF HELD MEETINGS WITH PRIME MINISTER TRUDEAU OF CANADA AND THE SECRETARY. HE ADDED THAT HE HAD MADE CLEAR INITIALLY THAT JAMAICA GUARANTEED TO BOTH CANADA AND THE UNITED STATES SUPPLIES OF BAUXITE NEEDED FOR STRATEGIC PURPOSES, AND SAID THAT THIS PLEDGE HAD BEEN RENEWED TODAY IN OTTAWA AND WASHINGTON THROUGH THE APPROPRIATE DIPLOMATIC CHANNELS.

3. IN THE COURSE OF HIS ADDRESS PM IMPLIED A MUCH BROADER ACTIVE PARTICIPATION IN THE PREPARATION OF THE GOVERNMENT'S POSITION AND THE CONDUCT OF THE NEGOTIATIONS THAN WE BELIEVE TO BE ACCURATE. FOR EXAMPLE, HE ATTRIBUTED SIGNIFICANT ROLES TO SUCH FIGURES AS G. ARTHUR BROWN, DIRECTOR OF THE BANK OF JAMAICA; P.J. PATTERSON, MINISTER OF INDUSTRY AND TOURISM; THE SOLICITOR GENERAL AND THE ATTORNEY GENERAL; AND LAST AND CERTAINLY LEAST, ALLAN ISAACS, MINISTER OF MINES AND NATURAL RESOURCES. WHILE PM CERTAINLY EXAGGERATES THE ROLE PLAYED BY THE ABOVE THE RECITATION OF THEIR NAMES CONTRIBUTED TO HIS CASE.

4. IN OUTLINING THE THRUST OF THE GOVERNMENT STRATEGY IN CONDUCTING THE NEGOTIATIONS PM ESSENTIALLY REITERATED THE MAJOR POINTS IN HIS MARCH 15 POSITION PAPER DELIVERED TO THE INDUSTRY. THESE POINTS INCLUDED:

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A. A REVENUE FORMULA BASED ON THE VALUE OF ALUMINUM BY SOME OBJECTIVE CRITERIA WHICH WOULD GREATLY INCREASE JAMAICA'S GROSS TAKE AND WOULD EQUALIZE REVENUES DERIVED FROM BAUXITE EXPORTED AND BAUXITE PROCESSED INTO ALUMINA IN JAMAICA.

B. MEASURES TO BRING A FAR GREATER PROPORTION OF THE RESOURCES DEVOTED TO THE INDUSTRY

INTO AND THROUGH THE JAMAICAN BALANCE OF PAYMENTS. C. RESUMPTION OF OWNERSHIP OF SURFACE RIGHTS OF LANDS CURRENTLY OWNED BY THE COMPANIES

D. RESUMPTION OF CONTROL BAUXITE RESERVES THE OWNERSHIP OF WHICH HAS ALWAYS BEEN LEGALLY VESTED IN THE GOJ. E. THE ENTERING INTO EQUITY PARTICIPATION IN THE OWNERSHIP OF THE OPERATING COMPANIES IN JAMAICA.

5. IN ADDITION PM SAID THAT A PRODUCTION FLOOR OF 14 MILLION TONS ANNUALLY WOULD BE ESTABLISHED, AND THAT THE BULK OF THE REVENUES DERIVED BY THE NEW FORMULA WOULD BE PLACED IN A SPECIAL CAPITAL DEVELOPMENT FUND AND WOULD NOT BE USED FOR CURRENT EXPENDITURES.

6. THE ACTUAL REVENUE FORMULA, AS PREVIOUSLY REPORTED, IS A LEVY OF 7.5 PERCENT OF THE REALIZED PRICE OF PRIMARY METAL RETROACTIVE TO JANUARY 1, 1974 FOR THE 1974-75 FISCAL YEAR; AND 8.0 PERCENT AND 8.5 PERCENT IN 1975 AND 1976 FISCAL YEARS RESPECTIVELY. IN ADDITION THERE IS A J\$.50 PER TON ROYALTY ON ALL BAUXITE MINED WHETHER DESTINED FOR EXPORT OR NATIONAL ALUMINA PLANTS. THE NET RESULT OF THIS FORMULA FOR THIS FISCAL YEAR PLUS THREE MONTHS RETROACTIVE TO JANUARY 1 SHOULD BE APPROXIMATELY J\$ 177 MILLION OR MORE THAN 7 TIMES CURRENT REVENUES.

7. NEEDLESS TO SAY, THE REACTION OF THE HOUSE TO THE PM'S MAJOR POINTS WAS ONE OF EXTREME ENTHUSIASM AND FREQUENT, LENGTHY APPLAUSE. TO THOSE LISTENING TO THE RADIO, OF COURSE, IT WAS IMPOSSIBLE TO DETERMINE IF THE OPPOSITION MEMBERS REACTED LESS ENTHUSIASTICALLY THAN THE PNP MEMBERS.

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8. COMMENT: IT APPEARS THAT THE GOJ HAS DECIDED TO BURN ITS BRIDGES ON MOST OF THE MAJOR ISSUES OUTSTANDING BETWEEN IT AND THE COMPANIES DESPITE THE MODERATE AND

CIVILIZED TONE OF THE PM'S DELIVERY. HE LEFT HIMSELF RELATIVELY LITTLE ROOM FOR MANEUVER IN THE FUTURE ON REVENUES, OWNERSHIP OF SURFACE RIGHTS TO LAND, AND CONTROL OF RESERVES. SOMEWHAT MORE ROOM WAS LEFT ON FOREIGN EXCHANGE ISSUES AND PARTICIPATION, BUT EVEN THERE HE IS NOW PUBLICLY COMMITTED. IT IS WORTH NOTING HOWEVER, THAT ANY MENTION OF 51 PERCENT OWNERSHIP IS CONSPICUOUSLY ABSENT FROM HIS REMARKS ON PARTICIPATION. HOWEVER, IT IS ALSO NOTEWORTHY THAT HE MADE NO MENTION OF COMPENSATION

WITH REGARD TO PARTICIPATION, LAND OWNERSHIP, OR CONTROL OF ORE RESERVES. PM'S RECITATION OF THE HISTORY OF THE NEGOTIATIONS TO DATE APPEARED TO BE ACCURATE AS FAR AS IT WENT, THOUGH NATURALLY REFLECTING THE GOJ VIEWPOINT RATHER THAN THE COMPANY'S OR OUR OWN IN SO FAR AS WE CAN BE SAID TO HAVE ONE. NEVERTHELESS HIS ACCOUNT, AND AT TIMES HIS LANGUAGE, BEAR A SURPRISING PARALLEL TO THAT FOUND IN THIS SERIES OF MESSAGES. THERE IS LITTLE DOUBT THAT HIS SPEECH WILL CREATE A PROFOUND AND GENERAL FAVORABLE REACTION IN JAMAICA, THOUGH DOUBTS IN SOME QUARTERS AND A NATIONAL DEBATE MAY DEVELOP SLOWLY. SUPER-MANLEY SEEMS TO HAVE WON THE DAY. WHETHER HIS BOLDNESS IS JUSTIFIED REMAINS TO BE SEEN. HEWITT

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